



Innovation, Science and
Economic Development Canada

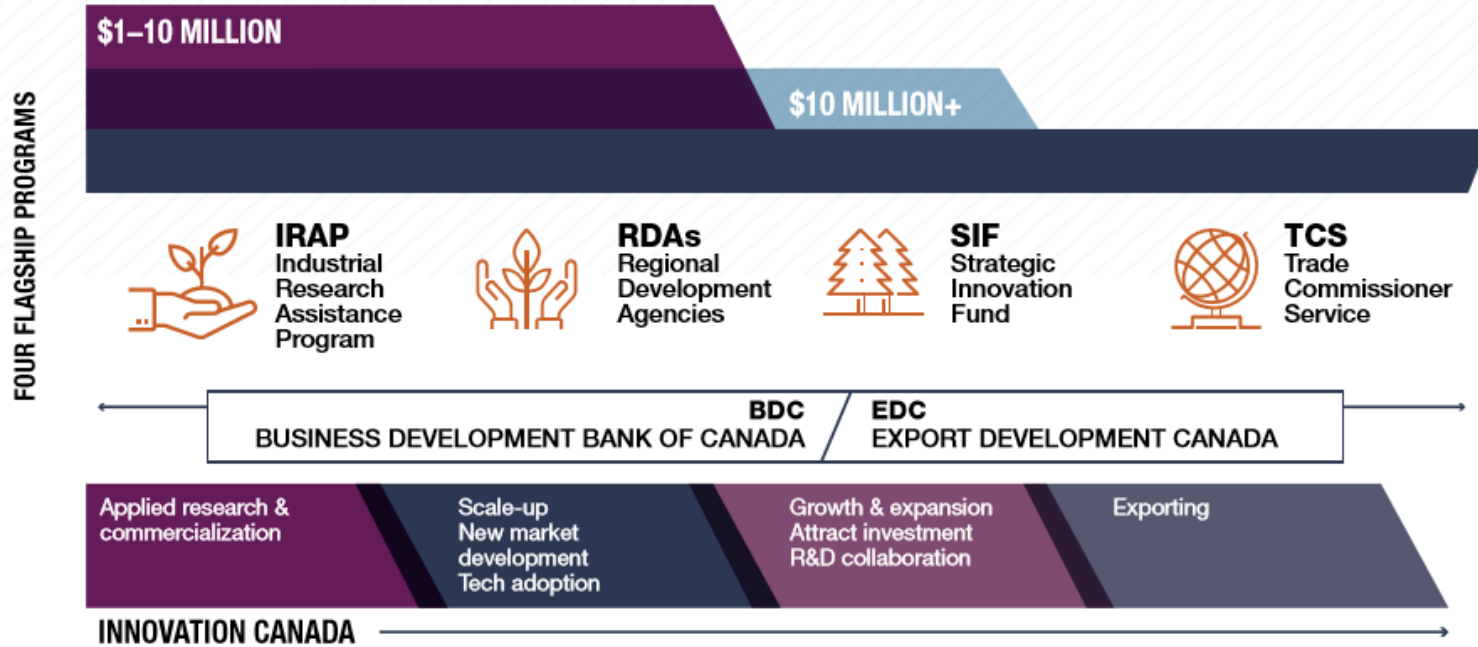
Innovation, Sciences et
Développement économique Canada

Canada

Federal Business Innovation Funding Continuum Study

May 5, 2022

Federal Business Innovation Funding Landscape (2017)



Motivation for Undertaking Analysis

- **Fall 2020: SIF Regional Outreach sessions identified a gap between SIF, IRAP, and RDAs support for firms seeking project funding over \$5M and up to \$20M**
 - Most funding from IRAP and RDAs is below \$5M/project and most funding from SIF is above \$20M/project.
- **April 2021: SIF Program Evaluation identified the need for a full continuum of business innovation support for firms with viable smaller-scale projects (over \$5M and up to \$10M)**
 - “ISED officials as well as other stakeholders identified that it was very difficult for companies to acquire funding when their project requires contributions of over \$5M and up to \$10M. The data review indicates that few projects received funding in this range.”

Presentation Objective

- Provide an overview of the federal business innovation funding continuum study, which examined 11,614 funding agreements (representing a total value of \$6.8B and ten organizations between FY2017-18 to FY2020-21) to investigate the following question:

Is there a gap in the federal business innovation funding continuum for businesses seeking \$5M-20M in government funding to finance their innovation projects?

Scope & Methodology

The following questions were used to develop a preliminary list of program streams to scope into the analysis:

- **Mandate:** Does the program stream support firm-level business growth through innovation?
- **Project Funding Levels:** Does the program stream provide project-based funding within the range of \$5M-20M per project?
- **Recipient Type:** Does the program stream provide funding to individual business recipients or ultimate business recipients through a third-party organization, network, or cluster?

Note: Time limited program streams providing temporary relief to businesses (e.g., REGI Steel and Aluminum and SIF Steel and Aluminum), SIF Streams 4 and 5, and SIF legacy projects were excluded from this phase of the study.

Consultations & Data Collection

From June to November 2021, consultations took place with program officials to:

- Share the scope, methodology and preliminary analysis of proactively disclosed agreements
- Validate program streams in scope for the study and collect additional publicly disclosed agreement data
- Collect input to inform the qualitative portion of the analysis to complement and contextualize the agreement data (including program parameters such as mandate, client base, budget allocations, in-take models and in-take data)

18 programs across ten organizations under study:

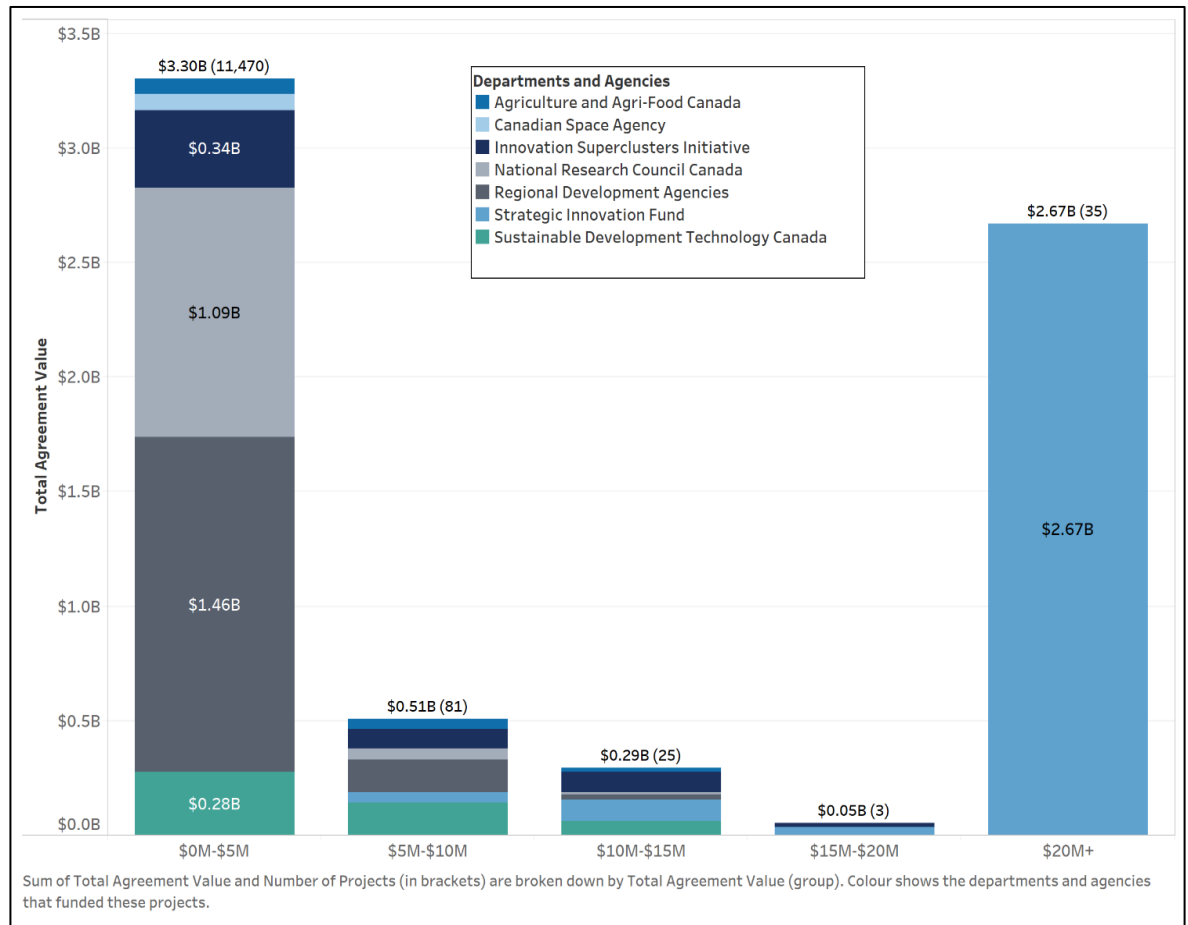
- AAFC, ACOA, CED, CSA, FedDev, FedNor, ISED, NRC, SDTC, WD
(see Annex for the complete list of programs and program streams under study)

From FY 2017-18 to FY 2020-21, Most Business Innovation Funding Agreements were Distributed to Agreements Under \$5M and Over \$20M

Majority of agreements between \$0-\$5M and above \$20M

\$852M (12.5%) of total funding (\$6.82B) was allocated to agreements between \$5M-\$20M.

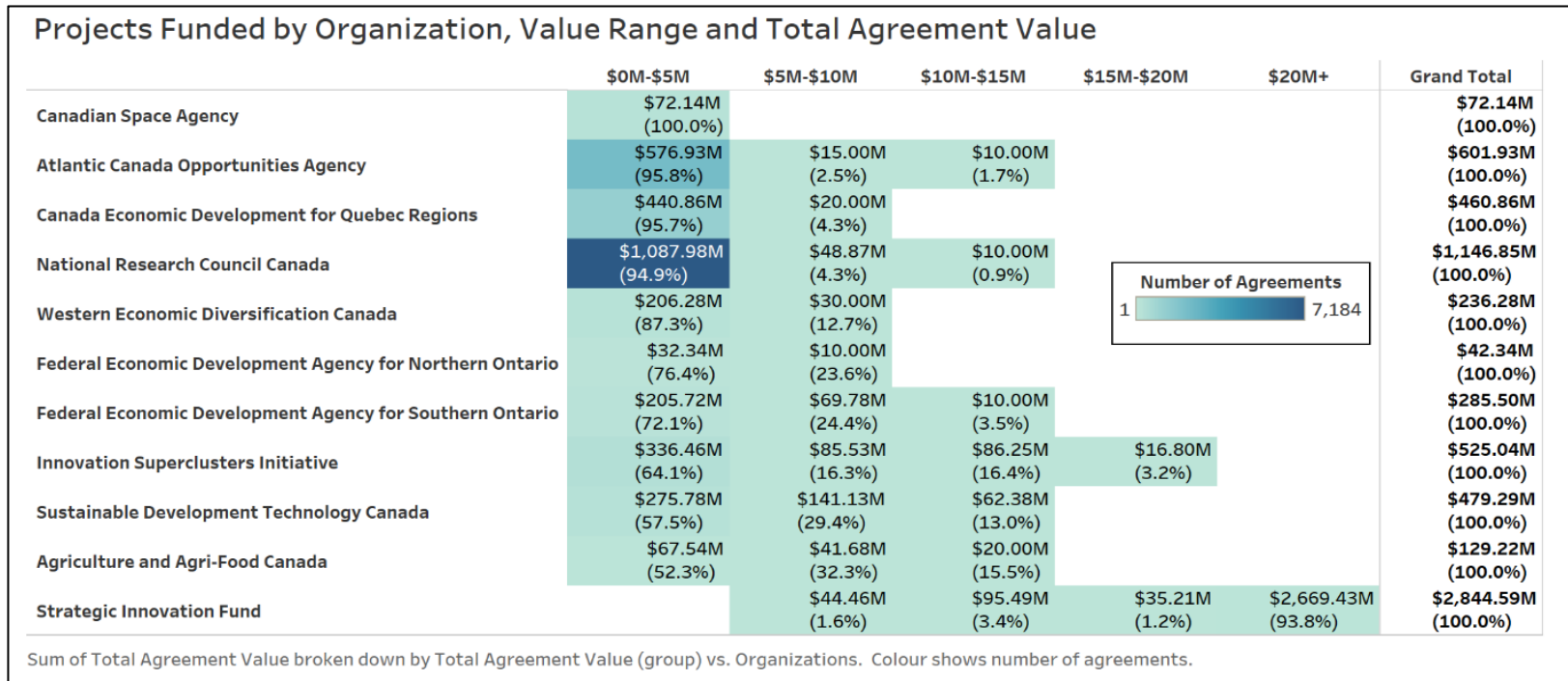
See Annex for the complete list of programs under study.



Total Business Innovation Funding by Agreement Size and Organization

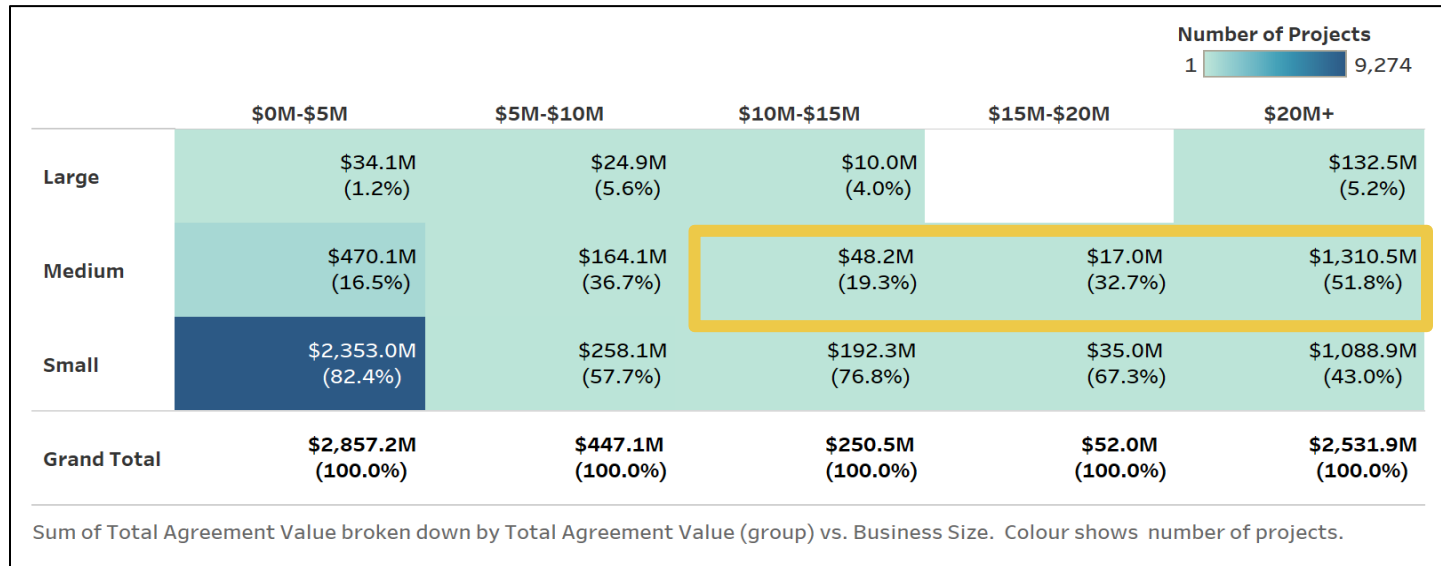
Except for SIF, majority of projects funded were in the \$0-\$5M range

Except for SIF, per organization, the majority (86% to 99.9%) of projects funded were under \$5M.



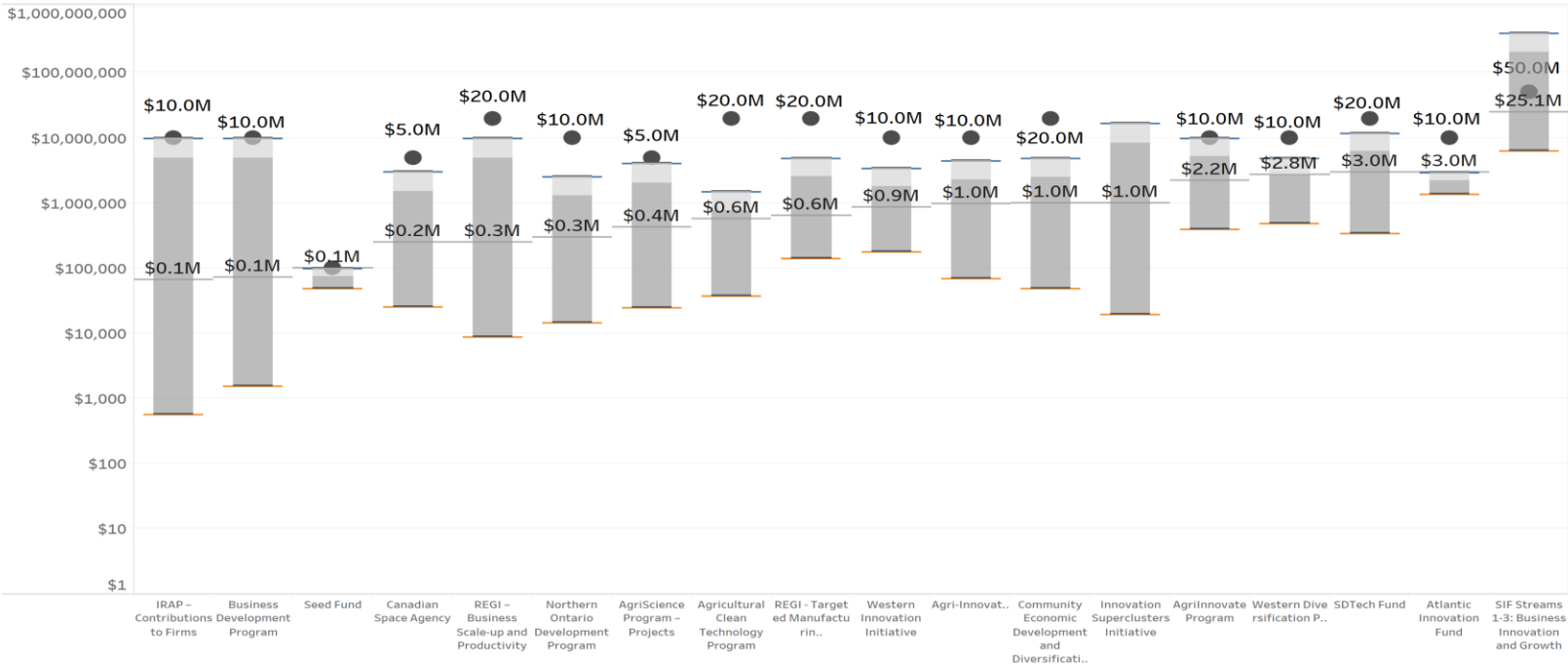
Medium-Sized Firms (100 to 499 Employees) Received the Largest Share of Innovation Funding for Projects Over \$10M

The largest share of total project funding over \$10M was distributed to medium-sized firms (\$1.38B), in comparison to small firms (\$1.32B) and large firms (\$142.5M), despite the small percentage of medium-sized firms (1.9% of all firms) in Canada.



Number of Agreements, Agreement Values, and Firm Size

Programs Have Maximum Funding Authorities Between \$5M-\$20M per Project, but Historically Have Not Funded Projects at Their Maximum Authorities (Exception is SIF)



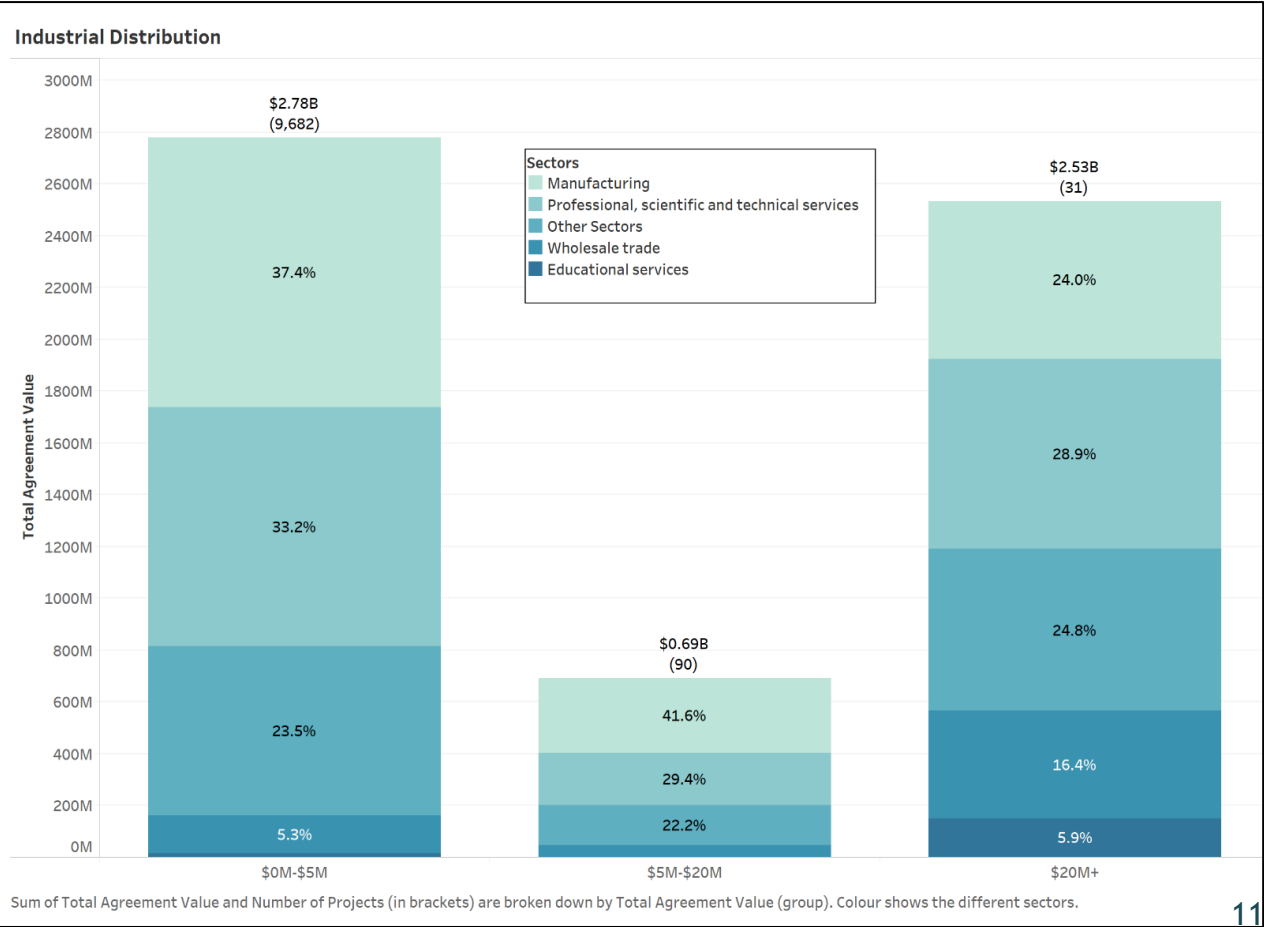
Historical minimum (orange lines) and maximum (blue lines) agreement values; median agreement values (grey lines); and maximum Treasury Board authorities (circles) by program

- Maximum
- Minimum
- Treasury Board Authorities

Distribution of Sectors with Largest Share of Total Agreement Value

Manufacturing and Professional, Scientific and Technical Services received the largest portions of overall agreement values (32% and 31% respectively).

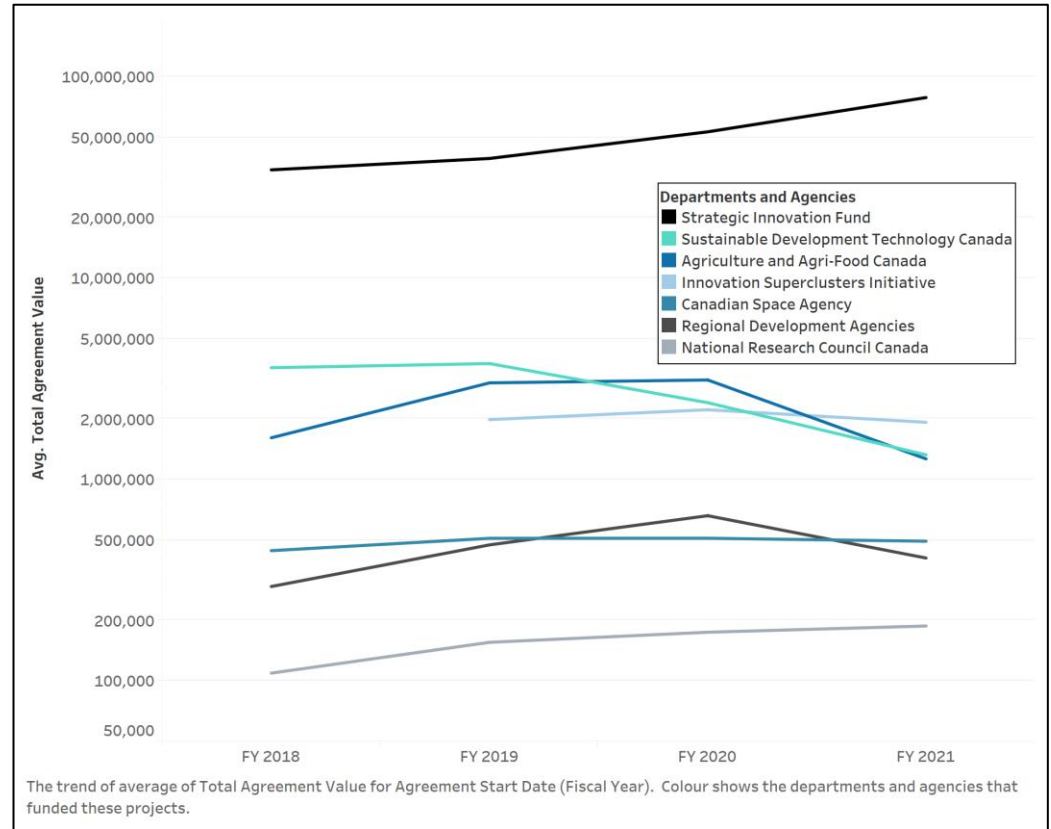
- Manufacturing is Canada's second largest industry and comprises 10% of Canada's GDP
- Professional, scientific and technical services comprises 6% of Canada's GDP.



Since FY 2017-18, SIF Average Agreement Values Have More Than Doubled

Based on the data, the average SIF agreement value has increased by 128.6% (\$34.7M in FY2017-18 to \$79.3M in FY2020-21).

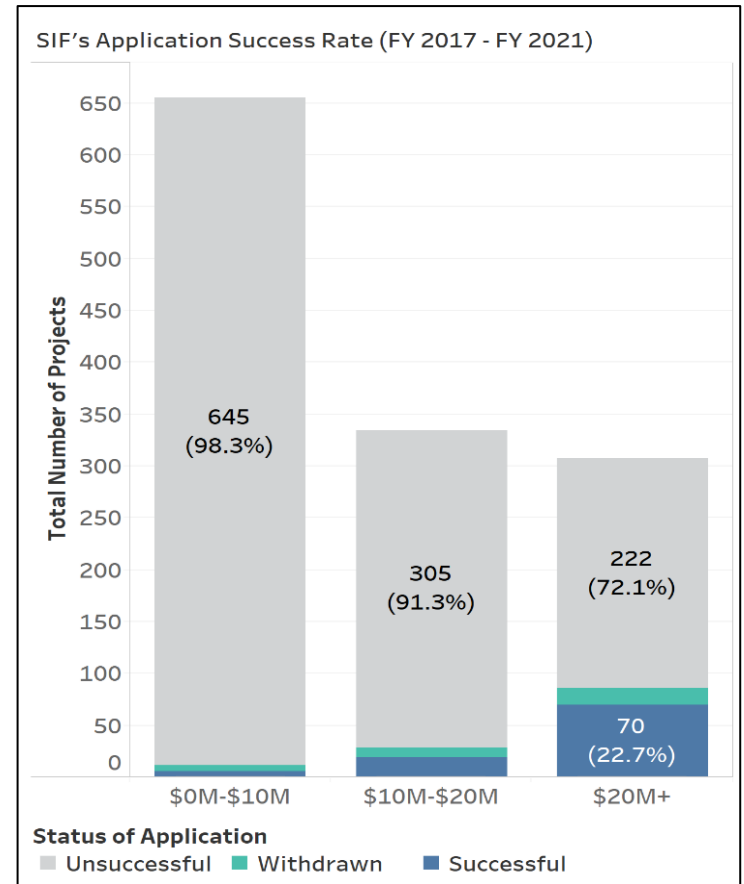
From FY 2019-20 all other average agreement values, besides IRAP, decreased.



Average total agreement value by fiscal year

Analysis of SIF SOIs received from FY18-19 to FY20-21 indicates that there is sustained demand for project funding in the \$10M-\$20M range.

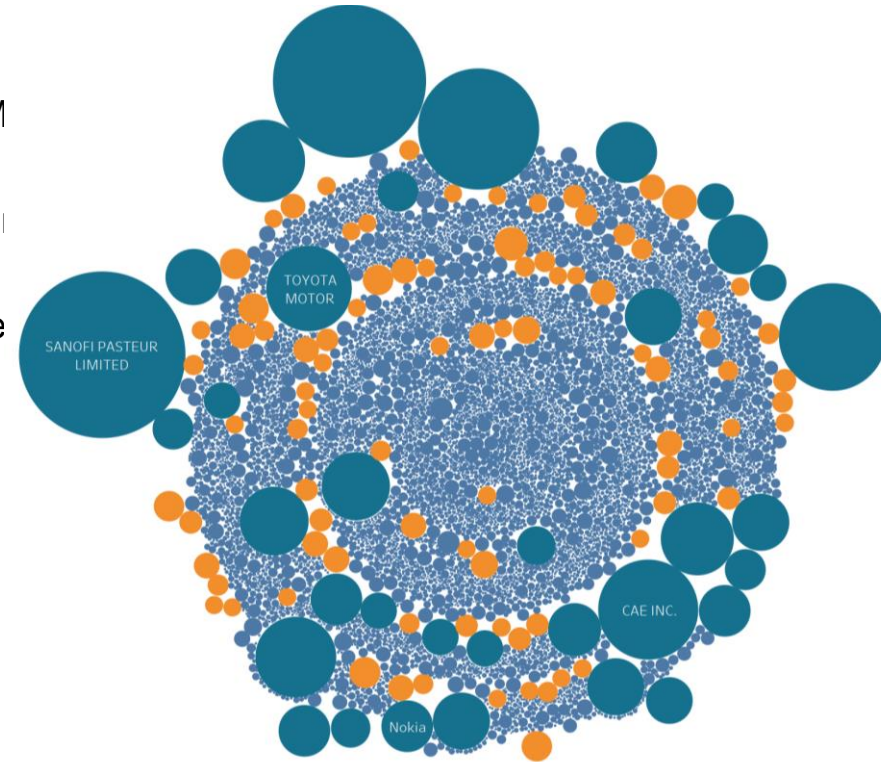
- SIF received 1,483 applications between FY 2017-18 to FY 2020-21.
- From FY18-19 to FY20-21, there was a sustained demand for project funding in the range of \$10M-\$20M
 - Only 8.7% of applications in this range received SIF funding.
- Demand for funding above \$20M was the lowest across value ranges (in terms of number of applications submitted) but had the highest success rate (22.7%)



Number of SIF Requests by Value Range and the Successful and Unsuccessful Applicants

Summary

- From FY17-18 to FY 20-21, most business innovation project funding was distributed to agreements under \$5M and over \$20M.
- Except for SIF, the majority of projects funded by all other organizations were in the \$0-\$5M range.
- Medium-sized firms (100 to 499 employees) received the largest share of innovation funding for projects over \$10M.
- Programs have maximum funding authorities between \$5M-\$20M per project, but historically have not funded projects at their maximum authorities (exception is SIF).
- Since FY 2017-18, SIF average agreement values have more than doubled.
- Analysis of SIF SOIs received from FY18-19 to FY20-21 indicates that there is sustained demand for project funding in the \$10M-\$20M range.



Annex: Programs Under Study

ORGANIZATION	IN-SCOPE PROGRAM STREAM	PROJECT FUNDING THRESHOLDS		HISTORICAL AGREEMENT VALUES		TREASURY BOARD AUTHORITIES
		MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	
ISED	SIF Streams 1-3: Business Innovation and Growth	\$10M	No maximum	\$6.5M	\$415M	\$50M
	Innovation Superclusters Initiative – Digital Technology, Protein Industries, Advanced Manufacturing, Scale AI, Ocean	Not applicable	Not applicable	\$20K	\$16.8M	Not applicable
ACOA	REGI – Business Scale-up and Productivity	Not disclosed	Not disclosed	\$9.1K	\$3.5M	\$20M
	Atlantic Innovation Fund	\$500K	\$3M	\$1.4M	\$5M	\$10M
	Business Development Program	Not disclosed	\$500K	\$1.6K	\$10M	\$10M
CED	REGI – Business Scale-up and Productivity	\$500K*	\$5M*	\$19K	\$5M	\$20M
FedDev	REGI – Business Scale-up and Productivity	\$500K	\$10M	\$200K	\$10M	\$20M
	Community Economic Development and Diversification	\$250K	\$5M	\$50K	\$5M	\$20M
FedNor	REGI – Business Scale-up and Productivity	\$400K*	\$600K*	\$16K	\$5M	\$20M
	REGI - Targeted Manufacturing Initiative for Northern Ontario	\$200K*	Not available	\$144K	\$5M	\$20M
	Northern Ontario Development Program – Business Growth & Competitiveness	\$30K*	Not available	\$15K ⁱ	\$2.6M ⁱ	\$10M**
	Northern Ontario Development Program – Innovation	Not available	\$750K			
	Northern Ontario Development Program – Targeted Manufacturing Initiative for Northern Ontario	Not available	Not available			
WD	REGI – Business Scale-up and Productivity	\$5M	\$5M	\$200K	\$5M	\$20M
	Western Diversification Program	Not disclosed	Not disclosed	\$500K	\$5M	\$10M
	Western Innovation Initiative	No minimum	\$3.5M	\$180K	\$3.5M	\$10M
NRC	IRAP – Contributions to Firms	No minimum	\$10M	\$589	\$10M	\$10M
AAFC	AgriInnovate Program	No minimum	\$10M	\$400K	\$10M	\$10M
	AgriScience Program – Projects	No minimum	\$5M	\$25K	\$4.1M	\$5M
	Agri-Innovation – Commercialization	No minimum	\$10M	\$70K ⁱⁱ	\$4.5M ⁱⁱ	\$10M**
	Agri-Innovation – Industry-led Research and Development	No minimum	\$5M			
	Agricultural Clean Technology Program	Not disclosed	\$2M	\$38K	\$1.5M	\$20M
	Agricultural Clean Technology Program – Research and Innovation	Not disclosed	\$2M	N/A ⁱⁱⁱ	N/A ⁱⁱⁱ	\$20M
	Agricultural Clean Technology Program – Adoption	Not disclosed	\$2M	N/A ⁱⁱⁱ	N/A ⁱⁱⁱ	\$10M
SDTC	Seed Fund	\$50K	\$100K	\$50K	\$100K	\$100K
	SDTech Fund	Not disclosed	\$6M*	\$350K	\$12M	\$20M
CSA	CSA Class Grant and Contribution Program to Support Research, Awareness and Learning in Space Science and Technology	No minimum	Not available	\$26K	\$3M	\$5M